

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Alternative Delivery Provider Reseller 1 Contracts
Negotiated Service Agreements

Docket No. MC2017-170

Competitive Product Prices
Alternative Delivery Provider Reseller 1 Contracts
(MC2017-170)
Negotiated Service Agreement

Docket No. CP2017-268

PUBLIC REPRESENTATIVE COMMENTS ON THE POSTAL SERVICE'S REQUEST
TO ADD ALTERNATIVE DELIVERY PROVIDER RESELLER 1 CONTRACTS TO THE
COMPETITIVE PRODUCTS LIST

(August 23, 2017)

The Public Representative hereby provides comments pursuant to Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's request to add Alternative Delivery Provider Reseller 1 Contracts (ADPR1) to the competitive products list.²

The Postal Service's Request includes a Statement of Supporting Justification, a

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 16, 2017.

² Request of USPS to Add Alternative Delivery Provider Reseller 1 Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract, August 15, 2017 (Request).

certification of compliance with 39 U.S.C. § 3633(a), a public (redacted) version of Governor's Decision No. 11-6 and related analysis, a public (redacted) version of ADPR1, and proposed changes to the Mail Classification Schedule competitive product list with the additions underlined. The Postal Service also filed under seal an unredacted version of Governor's Decision No. 11-6 and ADPR1, and supporting financial data estimating the contract value. ADPR1 are "contracts whereby the Postal Service provides prices for its customers to resell the Alternative Delivery Provider (ADP) 1 product, which provides for delivery to specified destination countries using a combination of the Postal Service and alternative delivery providers, which serve as Postal Service delivery agents, rather than a combination of the Postal Service and the destination country Post." Request at 3.

According to the Postal Service, ADPR1 is a competitive product "not of general applicability" within the meaning of 39 U.S.C. § 3632(b)(3). Request at 1. The Postal Service also maintains that the prices and classification underlying the instant contract are supported by Governors' Decision No. 11-6.³ The Postal Service further asserts that the Statement of Supporting Justification provides support for adding ADPR1 to the competitive product list. Request at 4-5.

Comments

Product List Assignment. Pursuant to 39 U.S.C. § 3642, the Postal Service requests that ADPR1 be added to the competitive product list. 39 U.S.C. § 3642 requires the Commission to consider whether "the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products." 39 U.S.C. § 3642(b)(1).

³ Decision of the Governors of the United States Postal Service on Establishment of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, March 22, 2011 (Governors' Decision No. 11-6).

Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

The Postal Service's Statement makes a number of assertions that address the considerations of section 3642(b)(1). Request, Attachment 1, at 2-3. These assertions appear reasonable. Based upon the Statement, the Public Representative concludes that the Postal Service's Request to add ADPR1 to the competitive product is appropriate.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

Based upon a review of the financial data, the negotiated prices for ADPR1 should generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. § 3633(a).

Conclusion

The Public Representative, after reviewing all materials the Postal Service submitted under seal in this matter, recommends that the Commission approve the Postal Service's request.

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The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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